MTAC USPS Flats Symposium

MAY 17, 2007 8 am to 4:30 pm, WASHINGTON D.C.

L'Enfant Plaza Hotel, 480 L'Enfant Plaza, SW, Washington DC 20024

MAILERS TECHNICAL ADVISORY COMMITTEE

UNITED STATES POSTAL SERVICE ®

FLATS STRATEGY

Pat Donahoe
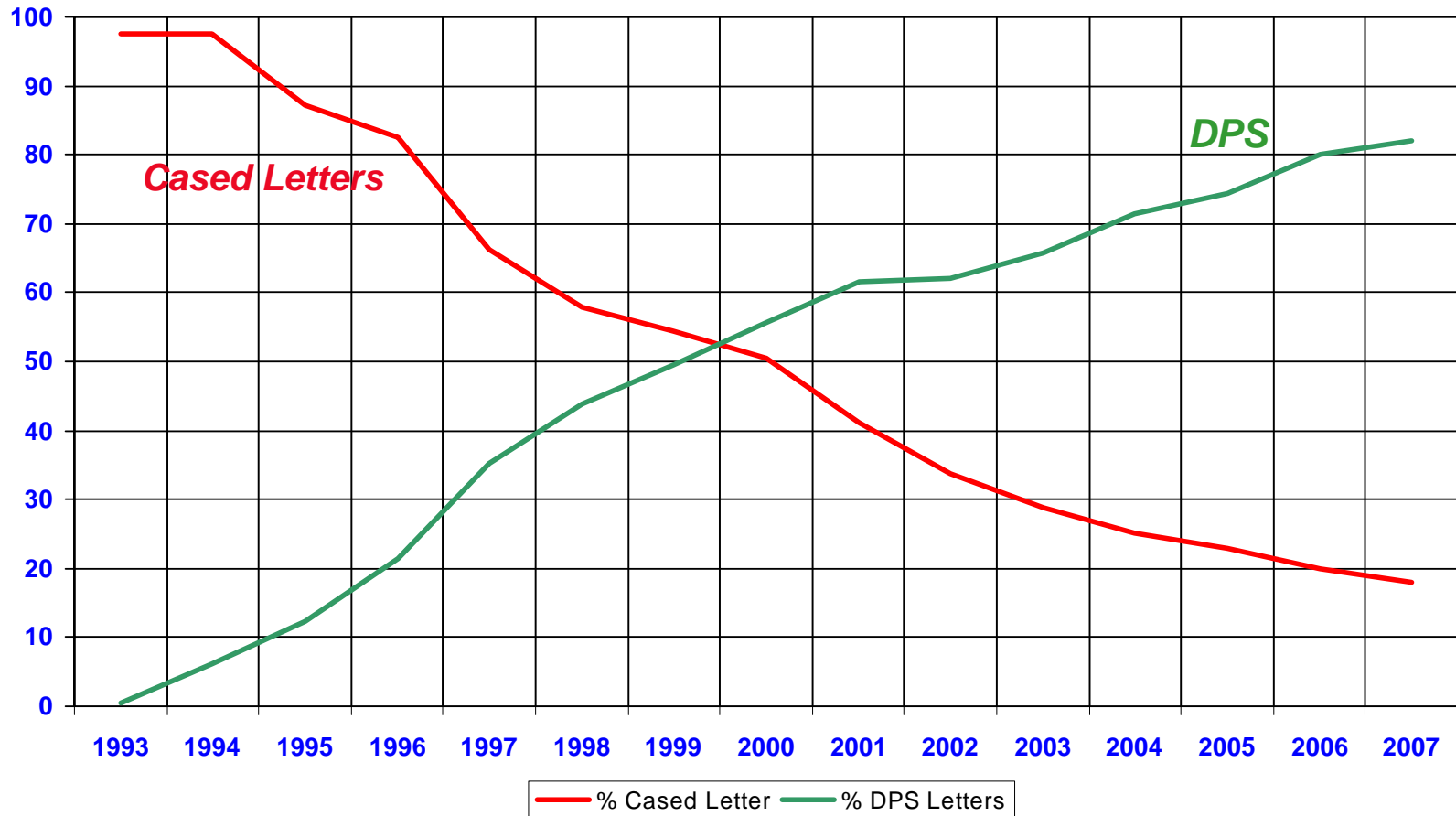Deputy Postmaster General / Chief Operating Officer
May 17, 2007

AGENDA

- **Background**

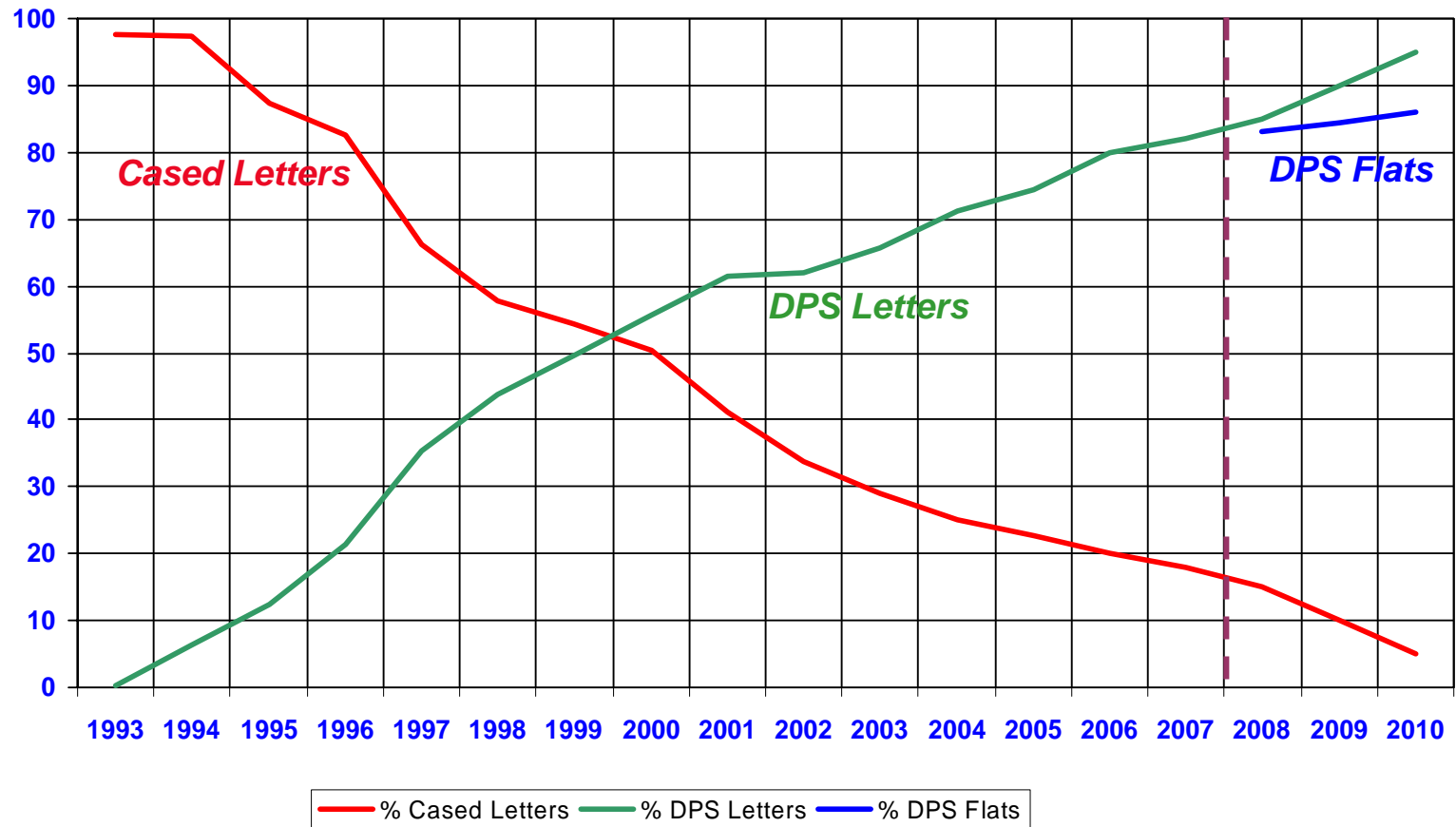- **Flats Strategy**

- **Mailer Impacts**

BACKGROUND

- **Delivery Point Sequencing**

  - **Technology Places Mail Pieces into Exact Order of Delivery**

  - **USPS Has Sequenced Letters Since 1993**

    - **Over $5 Billion Annual Savings**

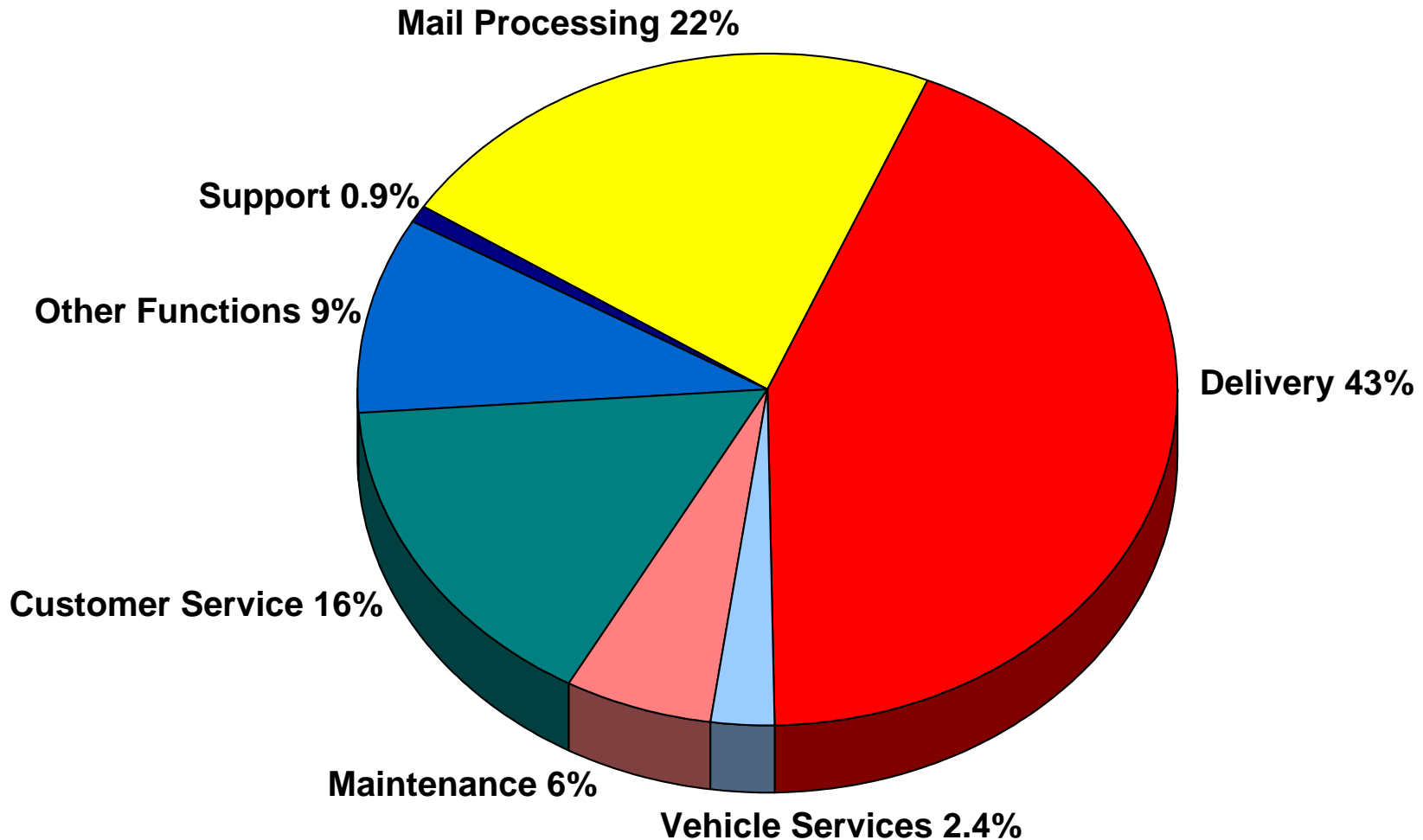 - **Flats Sequencing System (FSS) Will Replicate for Flats What we do Today for Letters**

LETTER MAIL TECHNOLOGY (CITY) – DPS TREND

DPS TREND

USPS SALARY & BENEFITS: $52.9 Billion

- Mail Processing 22%
- Support 0.9%
- Other Functions 9%
- Customer Service 16%
- Maintenance 6%
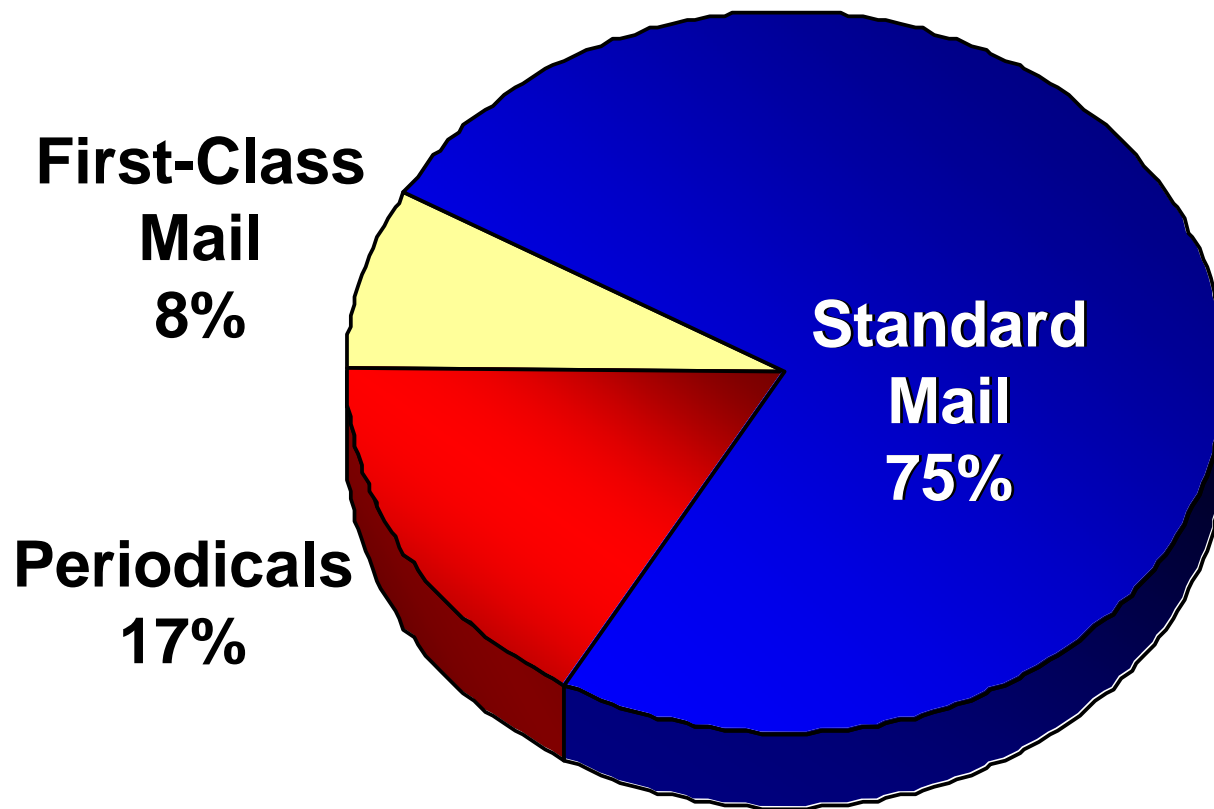- Vehicle Services 2.4%
- Delivery 43%

MANAGING DELIVERY COSTS

- Successful Cost Management Over the Last 10 Years

- Delivery Will Continue to be Largest Cost Center

  - Continued Delivery Point Growth

- Ease Rate Pressure by Aggressive Cost Reductions
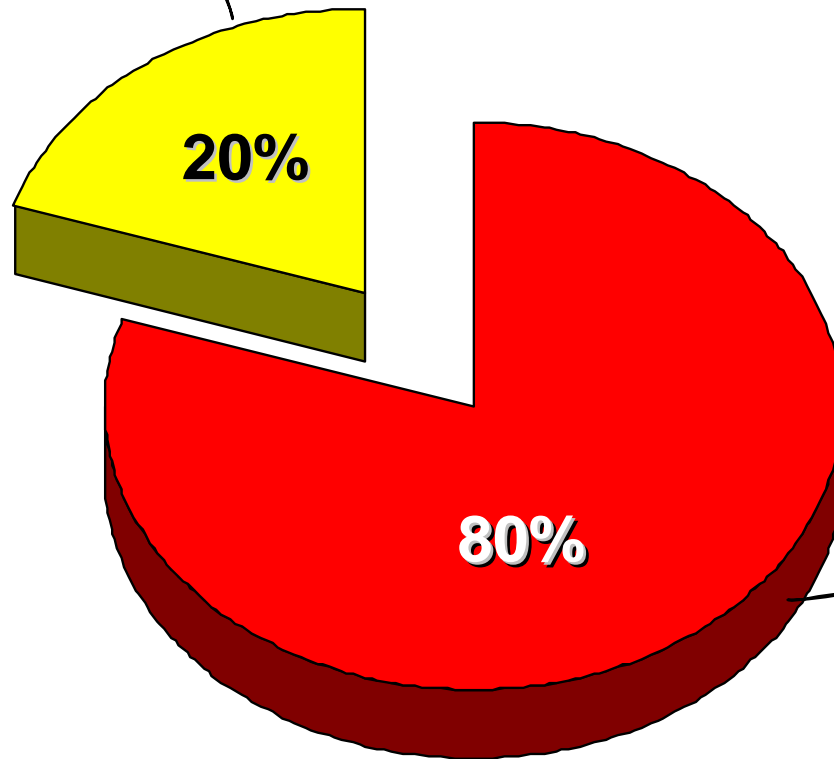
CURRENT FLAT VOLUME

**53.2 Billion Flats
FY 2006 (RPW)**

First-Class
Mail
8%

Standard
Mail
75%

Periodicals
17%

DELIVERY HANDLING OF FLATS TODAY

53.2 Billion Flats

Saturation

20%

80%
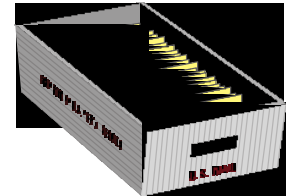
**Needs Casing
By Carrier**

FLATS STRATEGY

- **Letters and Flats Sorted Separately**

  - **DPS Letter Sorting Continues**

  - **Flats Sequencing in Delivery Point Order**

- **Saturation Mail Continues**

- **Reengineer Our Processes for Handling "Residual Volumes"**

FLATS SEQUENCING BENEFITS

- **Minimize Carrier In-Office Time**

  - **Substitute Technology for Manual Carrier Casing**

- **Benefit From Street Opportunities**

  - **Carriers Start Street Delivery Earlier**

  - **Consistent Delivery Times**

  - **Manage Growth**

  - **Optimize Routes**

- **Other Benefits**

  - **Delivery Day Visibility**

  - **Capture Real Estate Opportunities**

  - **Manage Vehicle Fleet**

MAILER IMPACTS

- Increase Customer-Applied Delivery Point Barcodes

- Improve Address and Barcode Readability

- Evolving Standards for Machinability

- Standard Address Placement

- Match Mail Preparation Requirements to Processing Needs

- Changes in Entry Points and Critical Entry Times

- Structure Rates to Support Sortation / Handling

FLATS SUPPLY CHAIN VISION

- Drive Down Costs Through Automation

- Enable Future Growth

- Improve Processing Performance and Service

- End-to-End Visibility

- Create Lowest-Combined-Cost System